
THE DARTMOUTH INSTITUTE FOR HEALTH POLICY & CLINICAL PRACTICE



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September 30, 2008

The Honorable Ron Wyden
223 Dirksen Senate Office Building
Washington, DC 20510-3703

Dear Senator Wyden:

Thank you for the invitation to comment on The Healthy Americans Act. If it were to pass, the Healthy Americans Act would solve the problem of the uninsured; guarantee access to affordable private health care coverage; uncouple insurance from place of employment; and according to the CBO and the Joint Committee on Taxation, do so in a budget neutral way. Indeed, it might actually result in savings.

The Act will make another significant contribution to the reform of health care markets. It will set the stage for dealing with unwarranted geographic variations in medical spending and utilization. In calling for community rating to establish the price of a basic insurance premium, the Act rectifies an important structural problem in the way health care is currently financed. Today, the local prices of insurance premiums are not adjusted for regional variation in per capita spending and utilization. That means that insurance pricing mechanisms used by both the federal government and most private insurers result in transfer payments from markets where providers are relatively efficient to markets where they are less efficient. Judging from the variation in Medicare per capita spending, the risk-adjusted premiums based on the community rating called for in the Act will vary more than two-fold among regions.

Adjusting premiums to regional spending levels will do two things: it will make transparent to patients, providers, and regulators the variation in the cost of care in different locations; and it will create a broad incentive to pay attention to unwarranted regional variation in clinical practice, in particular the overuse of hospitals in caring for the chronically ill and the misuse of elective surgery. This, in turn, should set the stage for improved coordination of care of the chronically ill, who account for the lion's share of hospital overuse. It should also encourage the establishment of informed patient choice as the standard of care for determining medical necessity of elective surgery and other interventions.

I am hopeful that the new administration will conduct a series of Medicare demonstration and pilot programs to test payment strategies for establishing care coordination and informed patient choice for Medicare enrollees. The Healthy Americans Act should go a long way towards promoting the rapid adoption of similar innovations by private insurers.

Sincerely,

John E. Wennberg, MD, MPH

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